

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

Competitive Product Prices
Priority Mail Contract 70 (MC2014-8)
Negotiated Service Agreement

Docket No. CP2014-9

ORDER APPROVING AMENDMENT TO PRIORITY MAIL CONTRACT 70
NEGOTIATED SERVICE AGREEMENT

(Issued March 10, 2014)

I. INTRODUCTION

The Postal Service seeks to amend Priority Mail Contract 70.¹ For the reasons discussed below, the Commission approves the contract, as amended.

In Order No. 1897, the Commission approved Priority Mail Contract 70 (Existing Agreement).² On February 25, 2014, the Postal Service filed notice that it has agreed to an amendment to the existing Priority Mail Contract 70. On February 27, 2014, the Commission issued an order reopening this docket to consider the Amendment,

¹ Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Priority Mail Contract 70, February 25, 2014 (Notice). The Amendment is Attachment A to the Notice (Amendment).

² See Docket Nos. MC2014-8 and CP2014-9, Order Adding Priority Mail Contract 70 to the Competitive Product List, December 3, 2013 (Order No. 1897).

appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Amendment broadens the application of the contract to include prices for Priority Mail packages having weights and sizes different than those described in the Existing Agreement.

The Amendment is scheduled to take effect one business day following the day on which the Commission issues all necessary regulatory approval. Amendment at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. Notice at 1; *see also id.* at Attachment B. The Postal Service asserts that the amended prices comply with 39 U.S.C. § 3633(a). *Id.*

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other interested person submitted comments. The Public Representative reviewed documentation from the initial docket and the financial workpapers and other documentation filed with the Amendment. PR Comments at 2. Based on that review, she concludes that the Existing Agreement, as amended, should continue to generate sufficient revenues to cover costs and satisfy 39 U.S.C. § 3633(a) during its first year. *Id.* She also states that the annual rate adjustment provision in the Existing Agreement should allow the contract to meet the requirements of section 3633(a) in subsequent years. *Id.*

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

³ Order No. 1999, Notice and Order Concerning Amendment to Priority Mail Contract 70, February 27, 2014.

⁴ Public Representative Comments on Postal Service Notice of Amendment to Priority Mail Contract 70, March 6, 2014 (PR Comments).

Cost considerations. The Commission reviews competitive product prices to ensure that they meet the applicable requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

The Amendment broadens the application of the contract to include prices for Priority Mail packages having weights and sizes different than those described in the Existing Agreement. It does not change the prices previously established under the Existing Agreement.

The supporting revenue and cost data show that the contract, as amended, should cover its costs during the remainder of the first contract year. The annual rate adjustment provision of the Existing Agreement continues in effect and should allow the amended contract's revenues to cover costs for the duration of the contract. The Commission will continue to review the cost coverage of the contract in its Annual Compliance Determination to ensure that rates cover costs.

Thus, the Commission finds that the contract, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective one business day following the day on which the Commission issues all necessary regulatory approvals. Amendment at 1.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

Within 30 days of the termination of the contract, as amended, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the contract.

In conclusion, the Commission approves Priority Mail Contract 70, as amended.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves Priority Mail Contract 70, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.
3. Within 30 days after the Priority Mail Contract 70, as amended, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the contract.

By the Commission.

Shoshana M. Grove
Secretary